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Message Text

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ACTION AF-18

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C O N F I D E N T I A L MONROVIA 01454

E.O. 11652: GDS
TAGS: EIND, EAGR, BGEN,
I

SUBJECT: EAL/DRG: FIRESTONE CONCESSION RENEGOTIATIONS
OPEN CALMLY.

REF: MONROVIA 0948

SUMMARY: FIRESTONE REPS MET WITH GOL CONCESSIONS SECRETARIAT
MARCH 6-7 IN FIRST ROUND LONG-AWAITED RENEGOTIATION COMPANY'S
RUBBER PLAN-
TATION CONCESSION AGREEMENT. SESSIONS NOT HOSTILE.
BOTH FIRESTONE REPS AND EMBASSY EXPECT GOL BE PRAGMATIC IN
AGREEING TO TERMS WITH WHICH ALL CAN LIVE. AS EXPECTED,
MAIN THRUST GOL
PROPOSALS AIMED AT INCREASING ECONOMIC
RETURNS TO LIBERIA. NEXT STEP IS FOR FIRESTONE, AKRON REVIEW
PROPOSALS; RETURN TO NEGOTIATING TABLE EXPECTED IN MAY.

1. MR. A.G. LUND, FIRESTONE, AKRON-RESIDENT, PRESIDENT
FIRESTONE PLANTATIONS CO., AND MR. JOHN P. CARMICHAEL,
MANAGING DIRECTOR, FIRESTONE PLANTATIONS CO.,
LIBERIA,
CALLED ON AMBASSADOR AFTERNOON MARCH 8 TO INFORM HIM OF
INITIAL MEETINGS HELD MARCH 6-7 WITH GOL CONCESSIONS
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SECRETARIAT. LUND SAID MEETING ORIGINALLY SCHEDULED MARCH 4,

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BUT POSTPONED WHEN PRESIDENT TOLBERT DECIDED TAKE VISITING
RUMANIAN COUNCIL PRESIDENT NICOLAI CEAUCESCU ON VISIT FIRESTONE'S
HARBEL PLANTATION THAT DAY.

2. GOL REPRESENTED AT INITIAL SESSIONS BY MINFINANCE TOLBERT,
MINPLANNING NEAL, MINAGRICULTURE PHILIPS,

MINLABOR PEAL,
MINJUSTICE SIMPSON, LIBERIAN STAFF AND SEVERAL UNITED NATIONS
TECHNICAL ADVISORS. SESSIONS NOT HOSTILE. AFTER INTRODUCTORY
STATEMENT DY MINISTER TOLBERT, TIME GIVEN OVER TO ENUMERATION
BY STAFF MEMBERS OF VARIOUS POINTS (MOSTLY MINOR) GOL PROPOSES
NEGOTIATE. LUND AND CARMICHAEL WISELY AVOIDED PRELIMINARY
DEBATE ON ISSUES RAISED. WITH CONCURRENCE GOL REPS, THEY
CONFINED THEMSELVES TO LEARNING GOL VIEWS PREPARATORY TO
CONSULTATIONS WITH FIRESTONE BOARD IN AKRON.

3. AS EXPECTED, MAIN THRUST GOL RENEGOTIATION EFFORTS AIMED
AT INCREASING LIBERIAN ENONOMIC RETURNS FROM CONCESSION. OF
PRIMARY CONCERN TO FIRESTONE ARE GOL PROPOSALS TO: (A) INCREASE
INCOME TAX RATE FROM PRESENT 45 PERCENT TO PROBABLE
TARGET
OF 50 PERCENT, IN LINE WITH IRON MINES, (B) IMPOSE 10 PERCENT
AD VALOREM ROYALTY PAYMENT TO GOL ON ALL RUBBER EXPORTS,
(C) ELIMINATE IMPORT DUTY EXEMPTIONS ON PLANTATION IMPORTS,
AND (D) LIMIT PRESENT CONCESSION RIGHTS TO LAND AREA ALREADY
PLANTED IN RUBBER TREES AND REQUIRE SEPARATE NEGOTIATIONS OF
TERMS FOR ANY FUTURE EXPANSION OF PLANTERS. LUND NOTED THAT
PRESENT INCOME TAX RATE IS REALISTIC SINCE RUBBER A RENEWABLE
RESOURCE, UNLIKE IRON ORE. SAME ARGUMENT WOULD APPLY ON
ISSUE OF ROYALTIES, PLUS FACT THAT THEY WOULD REDUCE LIBERIA'S
COMPETITIVE POSITION VIS-A-VIS OTHER PRODUCERS IN VYING FOR
NEW INVESTMENTS. LUND SHOWED LESS CONCERN OVER DUTY EXEMPTION
AND LAND AREA PROPOSALS, APPARENTLY SEEING THEM AS OF LESSER
IMPORTANCE OR POSSIBLY EVEN AS GOL OPENING GAMBIT.

4. REMAINDER OF LONG LIST GOL PROPOSALS DESCRIBED BY LUND AS
MINOR. THEY INCLUDE SUCH THINGS AS REQUIREMENTS THAT FIRESTONE
CONSULT
AND COORDINATE WITH GOL IN ANY EXPANSION ITS ROAD AND
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ELECTRIC POWER SYSTEM, ALREADY THE USUAL PRACTICE. PROPOSED
REQUIREMENT THAT FIRESTONE GUARANTEE PURCHASE AND PROCESS ALL
RUBBER PRODUCED BY LIBERIAN FARMERS MORE TROUBLESOME, BUT GOL
HAS ALREADY ANNOUNCED ITS INTENTION BUILD
THREE GOVERNMENT-
OWNED RUBBER PROCESSING PLANTS TO PROCESS
IBERIAN FARMERS'
PRODUCTION. PROPOSAL THAT FIRESTONE SHIP RUBBER ON LIBERIAN-

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OWNED SHIPS, WHERE AVAILABLE, DOES NOT APPLY SINCE MOST RUBBER SOLD ON FOB LIBERIA BASIS AND CHOICE OF SHIPPER UP TO PURCHASER. POINT IS OF INTEREST, HOWEVER, IN VIEW OF RECENT EXPANSION LIBERIAN-SWEDISH OWNED PROVIDENCE SHIPPING COMPANY, WHICH CARRIES IRON ORE SOLD BY
AMCO ON C & F OR CIF BASIS (SEE
MONROVIA A-19 OF MARCH 5, 1974).

5. LUND REPORTED THAT STAFF GOL CONCESSIONS SECRETARIAT OBVIOUSLY ILL-

PREPARED BEGIN SERIOUS NEGOTIATIONS. MANY
PROPOSALS VAGUE, POORLY SUPPORTED, OR

BASED ON MISCONCEPTION.
HOWEVER, ATMOSPHERE NOT TROUBLESOME, AND GOL REPS READILY

AGREED TO FIRESTONE REQUEST FOR TIME CONSULT WITH BOARD IN AKRON. AT THIS POINT BOTH FIRESTONE REPS AND EMBASSY BELIEVE GOL WILL BE PRARMATIC IN ITS APPROACH, GIVING IN ON NON-ESSENTIALS, HOLDING HARDER ON ECONOMIC ISSUES, BUT FINALLY AGREEING ON TERMS WITH WHICH FIRESTONE CAN LIVE. PRESENT OUTLOOK IS FOR LUND TO RETURN TO LIBERIA IN MAY AND RENEW NEGOTIATIONS.

6. COMMENT: IT INTERESTING TO
NOTE THAT LUND APPEARED MUCH
MORE CONCERNED OVER CASUAL, SPUR-OF-THE-MOMENT OFFER BY RUMANIAN PRESIDENT CEAUCESCU TO ASSIST GOL ESTABLISH TIRE FACTORY THAN OVER ENTIRE QUESTION CONCESSION RENEGOTIATIONS. OFFER CAME DURING HARBEL VISIT AFTER PRESIDENT TOLBERT TOOK FIRESTONE TO TASK FOR CONTINUING EXPORT RAW RUBBER INSTEAD OF MANUFACTURED PRODUCTS, AND NOT CONSIDERED BY EMBASSY BE CONFIDENTIAL

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SERIOUS PROPOSAL. SMALLNESS LIBERIAN MARKET, LACK OF AEST AFRICAN REGIONAL MARKETING AGREEMENTS, LACK OF ANY LOCAL TIRE RAW MATERIALS EXECPT NATURAL RUBBER, AND RUMANIAN PRACTICE OF INSISTING THAT LOCAL GOVERNMENT PARTICIPATE WITH MAJOR SHARE INVESTMENT CAPITAL
INT CENTURES, ALL
MITIGATE AGAINST
SUCCESS SUCH A PROJECT.
MANFULL

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